



EXPORT-IMPORT BANK  
*of the* UNITED STATES

Jobs Through Exports

# The Export-Import Bank of the United States

**Expand Globally**  
**With the Export-Import  
Bank**

**Washington, DC**

**September 15, 2008**



# Introduction

---

U.S. government's official export credit agency

Mission is to support U.S. exports of goods and services to promote U.S. jobs.

Find a reasonable assurance of repayment

Since establishment in 1934, have supported more than \$450 billion in U.S. exports.

In FY2007, supported financing for exports to over countries valued at over \$12.6 billion.



# Eligibility Criteria/Issues

## **No Defense Articles or Services, or Military Buyers**

- \* Exceptions may be made for humanitarian purposes, drug interdiction, dual-use items

## **US Content**

- \* 51% for short-term transactions
- \* 85% for medium-term transactions
- \* Services must be performed by US-based personnel, either in the US or in the "host" country

## **Country Eligibility**

- \* Support available in over 155 countries
- \* Restrictions may apply for political or economic reasons

## **Economic Impact**

- \* will Ex-Im Bank support have a negative impact upon U.S. production and employment or are trade sanctions in place

## **MARAD (U.S. Maritime Administration)**

- \* For transactions where the Financed Amount is equal to or greater than \$20mln, U.S. flagged vessels are required for ocean shipments except when a waiver is obtained from MARAD



# Export Support Types

---

## Typically used by U.S. exporters / banks:

**Working Capital Loan Guarantees**

**Short- & Medium-Term Insurance**

## Typically used by foreign buyers / banks:

**Medium- & Long-Term Loan Guarantees**

**Structured & Project Finance**

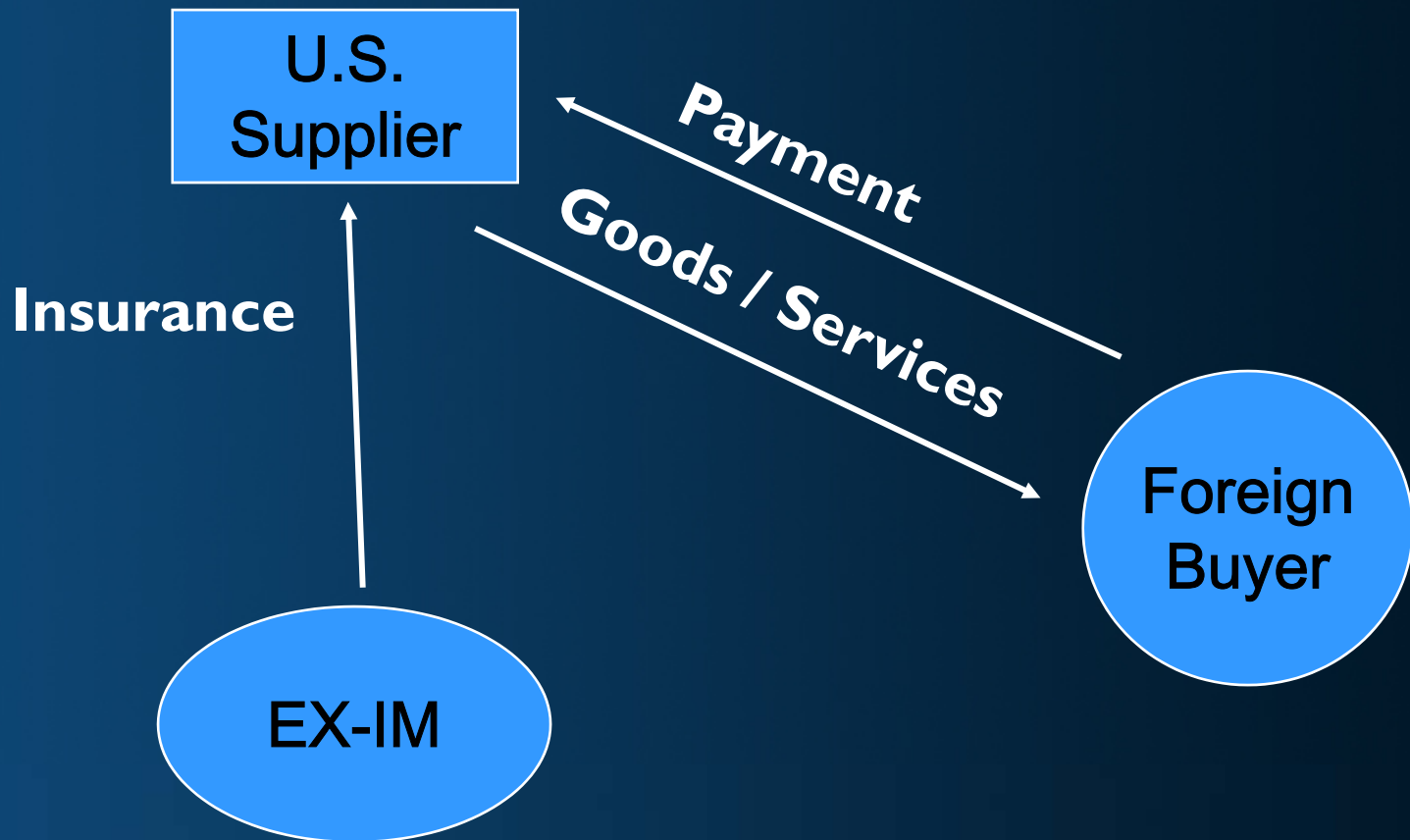


# Working Capital Guarantee Program (WCGP)

- Assists small and mid-size companies in obtaining working capital to produce or purchase US goods and services for export
- Provides a **90%** guarantee of repayment (principal and interest) on loans to exporters by U.S. Banks
- May be set up as “Transaction-Specific” or “Revolving” Line
- No minimum or maximum amounts
- Also available to cover SBL/Cs as bid and performance bonds
- Loan supports advances made against export-related inventory (including WIP) and foreign receivables:
  - Up to **75%** advance rate on inventory, and up to **90%** on foreign receivables



# Short-Term Export Credit Insurance







# Export Credit Insurance

---

U.S. exporters apply for policy protection against foreign credit risk.

Coverage provided against commercial and political risk associated with default.

Raw materials, spare parts and consumables: coverage up to 180 days.

Bulk agricultural products and light capital equipment: coverage up to 360 days.

Capital goods: terms from 360 days to 7 years.



# Export Credit Insurance – U.S. Content Requirements

---

For Short-Term products, the gross shipment must have at least 51% U.S. content to support the entire transaction. For Medium Term transactions, U.S. Content must be 85% of the Net Contract Price.

Products must be manufactured in and shipped from the U.S.





# Short-Term Credit Standards

---

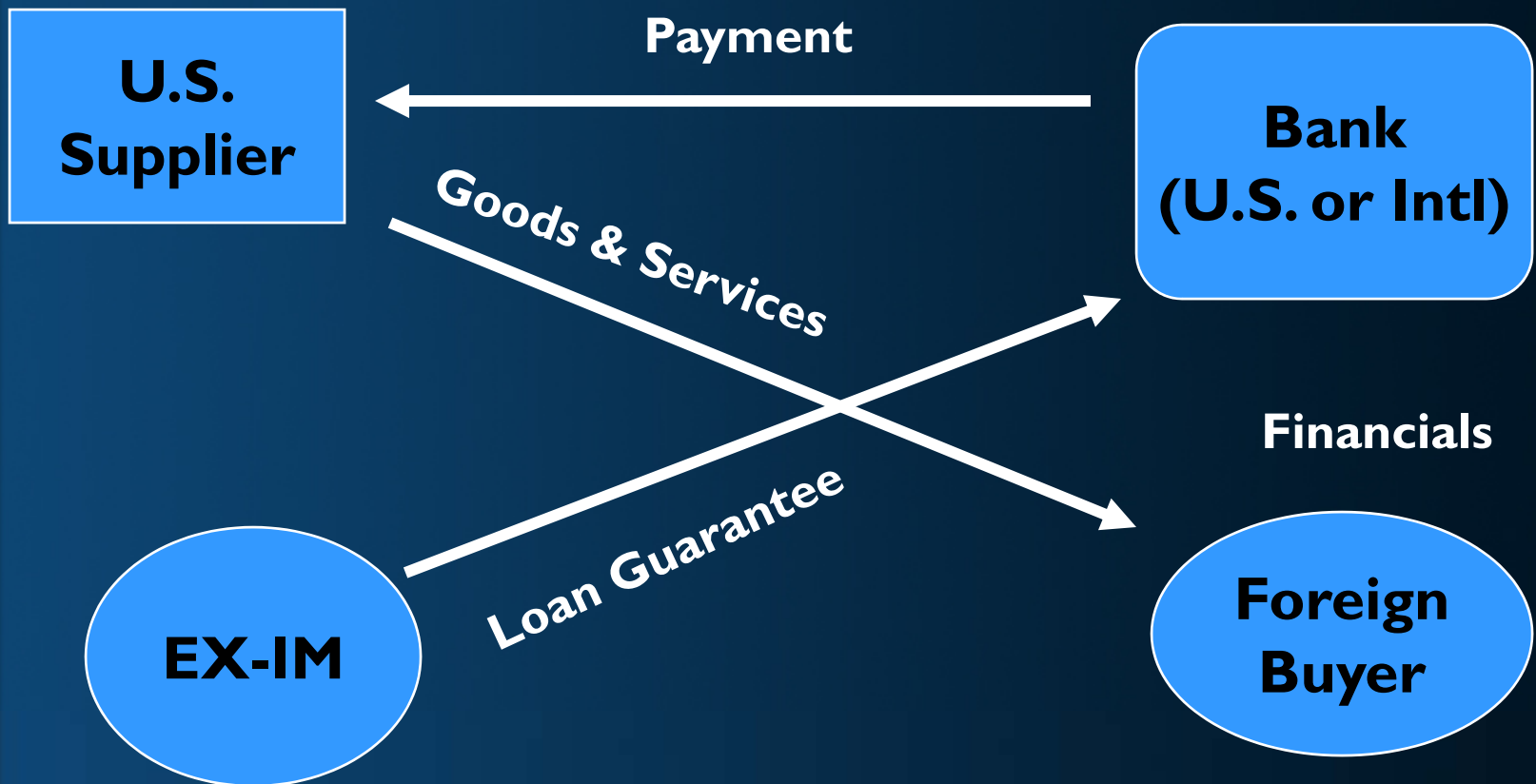
U.S. supplier submits application along with required information to establish credit limit for foreign buyer.

Info requirements from foreign company for credit limits:

- \$10,000 credit: favorable trade or bank reference
- \$10,000-\$50,000 credit: current credit report
- \$50,000-\$100,000 credit: current credit report plus favorable bank or trade reference
- Greater than \$100,000 credit: current credit report, latest 3 years financial statements, and references



# Medium- and Long-Term Loan Guarantees





# Loan Guarantees

---

Covers commercial lenders for 100% of the principal and interest against repayment risks on foreign buyer's debt obligation.

Commits full faith and credit of U.S. government.

Loan can be converted to fixed rate.

Negotiated interest rate between lender (MGA) bank and foreign buyer (fixed or floating) – usually floating rate based on spread over 6-month U.S. dollar LIBOR rate.



# All-in-Cost of Ex-Im Bank Financing - Example

➤ Total Loan Amount	\$100,000,000
➤ Total Term	11 yrs
➤ Ex-im Exposure Fee	5.72%
➤ Ex-Im Commitment Fee	0.1250%
➤ Base Rate (6-month Libor)	3.10%*
➤ Spread over Base Rate	0.500%
➤ All-in-Cost to Borrower	4.651%

➤ \* quote at 9/12/08



# Ex-Im Bank Direct Loans

---

- | ➤ Repayment Term          | CIIR Rate* |
|---------------------------|------------|
| ➤ Up to 10 S/As           | 3.70%      |
| ➤ > 10 S/As up to 17 S/As | 4.14%      |
| ➤ > 17 S/As               | 4.46%      |
- 
- Plus exposure fee and commitment fee of 1/2 of 1% p.a. on undisbursed amount
  - \*rates is for time frame 9/15/08 to 10/14/08



# Contract Price vs. Repayment Term

## ➤ Contract Price/Export Type Maximum Repayment Term

▶ Cat. I Countries

Cat. II Countries

➤ < \$80,000	2 years	2 years
➤ \$80,000 to \$174,999	3 years	3 years
➤ \$175,000 to \$349,999	4 years	4 years
➤ \$350,000 to \$7mln	5 years	5 years
➤ \$7mln to \$11.8mln	5 years	7 years
➤ \$11.8mln to \$25mln	5 years	8 years
➤ >\$25mln	5 years	10 years





# Medium- and Long-Term Loan Guarantees

---

Medium-Term Loan Guarantees generally used for U.S. capital equipment, small projects, and services: up to 5-year and exceptionally 7-years repayment terms.

Long-Term Loan Guarantees generally used for buyer financing of very large items (aircraft) and project finance: over 7-year repayment terms (up to 10 years and occasionally 12 years to 15 years) or over \$10 million.



# Medium-Term Credit Standards

---

Positive Operating Profit during last 2 years

Positive Net Income during last 2 years

Positive Cash-Flow-From-Operations (latest year)

EBITDA/Debt Service > 150%

Total Liabilities/Total Net Worth < 175%

Ex-Im Exposure/Total Net Worth < 40%

Borrowers meeting above standards likely to be approved. If borrower misses one or more of standards, Ex-Im will conduct further analysis of borrowers' business to determine whether to grant approval.



# Standard MT&LT Finance Model

---

Net contract price	\$ 1,000,000
Cash payment	<u>(150,000)</u>
Financed portion	850,000
Exposure fee @ 5%	<u>+ 42,500</u>
Total financed	\$ 892,500



# Local Cost up to 30%

---

➤ U.S. Content	\$70,000,000
➤ Eligible Foreign Content	\$10,000,000
➤ Net Contract Price (70mm + 10mm)	\$80,000,000
➤ Cash Payment (15% of \$80mm)	\$12,000,000
➤ Amnt of Net Contract Price financed	\$68,000,000
➤ Local cost financed (30%)	\$24,000,000
➤ Total Ex-Im Bank Financing support	\$92,000,000



# Exposure fee

---

Determined by:

Country risk

Percent of cover

Drawdown period

Repayment period

Fee financed

Timing of fee payment

General borrower credit risk

See: [http://www.exim.gov/tools/fee\\_calc.cfm](http://www.exim.gov/tools/fee_calc.cfm)



# Special Programs

---

Some of Ex-Im programs offering special enhancements:

- Medical Equipment Initiative (MEI)
- Environmental Exports Program (EEP)
- Transportation Security Exports Program (T-SEP)





# Medical Equipment Initiative (MEI)

---

Automatic Local Cost Cover: Local cost financing available on automatic basis for local costs related to exporter's scope of work and documented – up to 30 percent of U.S. contract value.

Repayment Terms: Terms up to seven years offered for medium-term transactions when consistent with expected life of product, subject to minimum contract value of \$350,000.

Capitalization of Interest: Interest may be capitalized when there is extended installation and/or construction period.



# Transportation Security Exports Program (T-SEP)

---

Local cost coverage up to 30 percent of the Net Contract Value.

Maximum allowable repayment terms permissible under OECD guidelines.

Enhancements intended to facilitate additional purchases of U.S. exports related to transportation security by international buyers.

Eligible exports fall in one of two categories: (1) "Transportation Security Exports" or (2) exports related to "Foreign Transportation Security Projects."



# Environmental Exports Program-EEP

---

Support for environmentally-beneficial exports:

- Renewable energy: photovoltaic, wind, hybrid, biomass, fuel cells, waste to energy, hydroelectric, coal gasification and geothermal
- Wastewater, sewage, and waste treatment projects
- Drinking water treatment
- Transactions approved under the Program grew from 13 in FY1994 to 80 plus in FY2007, totaling over \$2.5 billion in U.S. exports.



# EEP Special Benefits

---

## Environmental project enhancements:

- Maximum OECD repayment term for long-term loans and guarantees of up to 15 years after project completion.
- Capitalization of interest during construction.
- Up to 30% local cost support within the U.S. scope of supply.



# Different structures for financing

Ability to Manage Complexity	Extensive	Project Finance	
		Corporate Structured	
		Corporate Balance Sheet	
		Bank Guarantee	
	None	Sovereign	
		Small	Large
	Deal Size		



# Project Finance

---

Project or “limited recourse project financing” means debt repayment comes solely from project cash flow, i.e., future project revenues.

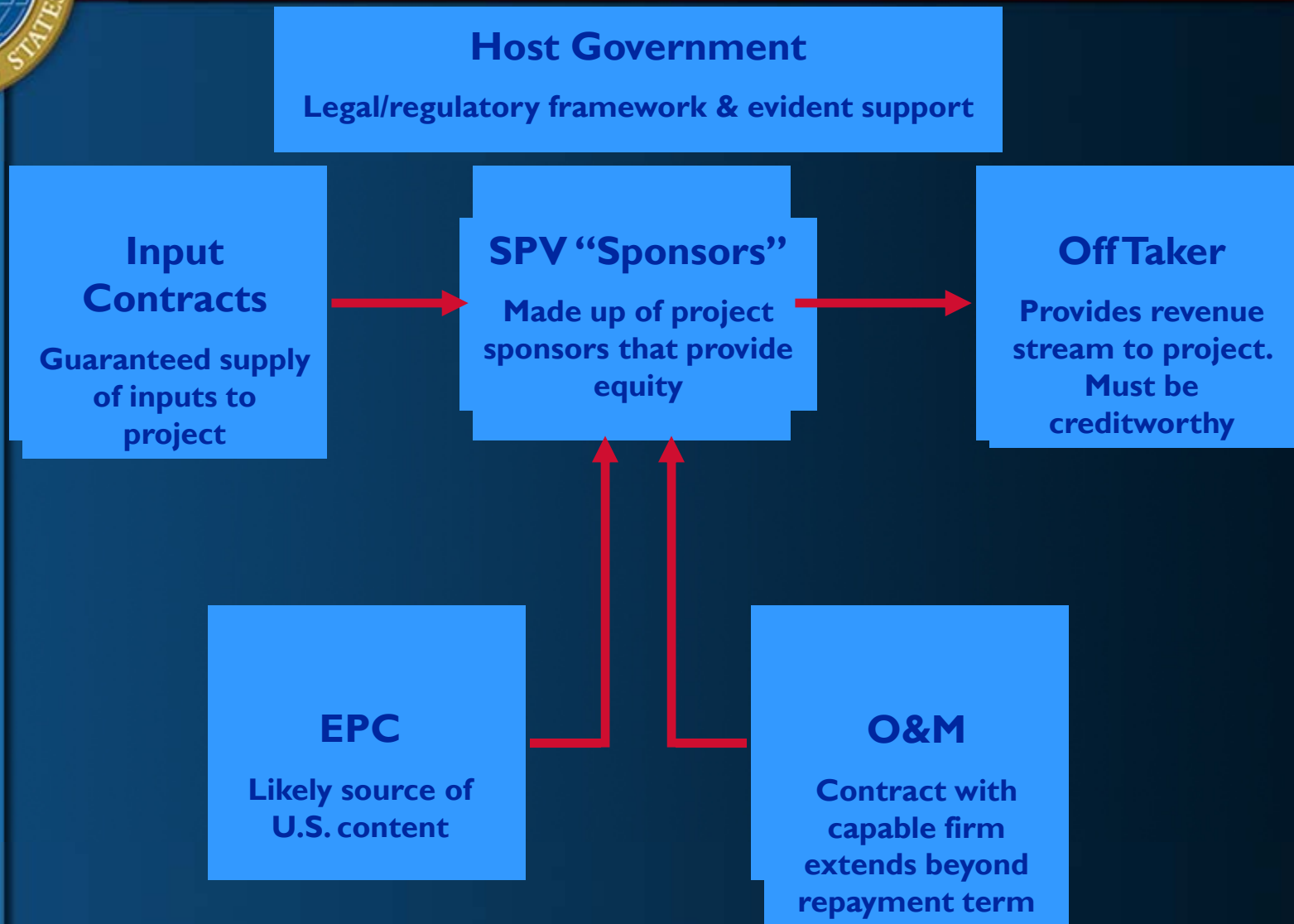
Even with Ex-Im Bank support, lenders need:

- Strong off-take contracts
- Technical comfort that project will be fully funded, constructed on time, and operated efficiently
- Reliable / creditworthy parties: sponsors, constructors, operator, and output purchasers
- Appropriate risk-sharing among project parties





# Project Finance Structure





# Differences between Structured & Project Finance

---

## Structured (Typical)

**Existing company  
borrower financing an  
expansion**

**Full recourse to borrower**

**Analyze historical and  
projected future cash**

**Limited “perfection of  
security”**

**Can finance 85% of  
project cost (subject to  
U.S. content)**

## Project Finance

**SPV borrower financing  
green-field project or  
expansion**

**Limited recourse to parent  
companies**

**Analyze project’s future  
cash flows**

**Complex documentation  
to perfect security**

**More than 15% equity  
required, so total debt  
provided less than 85%**



# Additional information

---

- Ex-Im web site: [www.exim.gov](http://www.exim.gov)
- Strategic Initiatives Division:
  - Raymond Ellis, Vice President
    - E-mail: [Ray.Ellis@exim.gov](mailto:Ray.Ellis@exim.gov)
    - Tel: 1-202-565-3674 (direct)
    - Tel: 1-202-565-3713 (divisional office number)